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RUEHUNV/USMISSION UNVIE VIENNA IMMEDIATE 0330
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S E C R E T SECTION 01 OF 03 CANBERRA 001027

SIPDIS

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SUBJECT: 2008 U.S.-AUSTRALIA POL-MIL TALKS: PART III
(SOUTHEAST ASIA, TRILATERAL STRATEGIC DIALOGUE, PACIFIC
ISLANDS, DEFENCE WHITE PAPER, ENHANCED DEFENSE COOPERATION,
DEFENSE TRADE COOPERATION TREATY)

REF: A. CANBERRA 1025 (PART I)
[1](#)B. CANBERRA 1026 (PART II)

Classified By: Acting Political Counselor John W. Crowley. Reasons: 1.4
(b)(d)

[1](#)1. (SBU) This is Part III of a three-part cable reporting on the annual U.S.-Australia Political-Military Talks held in Canberra, Australia on October 9, 2008. This section covers Southeast Asia, Trilateral Strategic Dialogue, Pacific Islands, Defence White Paper, Enhanced Defense Cooperation, and the U.S.-Australia Defense Trade Cooperation Treaty. Part I (ref A) covers Iraq, Afghanistan and Pakistan, as well as providing a summary and list of participants. Part II (ref B) covers Persian Gulf security (Iran), Nonproliferation and Disarmament, Regional Architecture, China and India.

SOUTHEAST ASIA

[1](#)2. (C/REL AUS) In his assessment of Southeast Asia, Peter Woolcott, First Assistant Secretary for South-East Asia, said the economic situation overall was satisfactory although Australia was watching the fallout from the global financial crisis carefully. The political situation in many countries in the region was "messy," however, citing significant problems in the Philippines, Thailand, Malaysia, Vietnam and Burma.

[1](#)3. (C/REL AUS) The situation in Indonesia -- Australia's most important regional partner -- was "as good as it gets," Woolcott said. Yudhoyono, up for re-election, would be judged on how well he delivered on the economy and eliminating corruption. There was an anti-incumbency mood, but no one was strong enough to beat him, although Megawati

was close. If the economy suffered badly, there could be an upset. Yudhoyono, whom Australia wanted to see re-elected, had provided first class cooperation on counterterrorism. Other areas of cooperation included people-smuggling and administration of Australia's AUD\$ 2.5 billion (USD 1.6 billion) aid program. PM Rudd had agreed to co-chair with President Yudhoyono this year's Bali Democracy Forum, Yudhoyono's initiative to promote democracy in the region.

¶4. (C/REL AUS) Woolcott described China's diplomatic efforts in Southeast Asia as "impressive," observing that, while most countries wanted a U.S. presence as a hedge, they were comfortable with China's approach. Japan's presence, by contrast, hardly registered, in part because it declined to invest political resources, such as visits by senior officials. Fletcher interjected the Chinese were "running rings around Japan" in Southeast Asia. Ritchie noted Japan was hampered by its WWII historical legacy, but also seemed unable to follow-through on its initiatives; it was a major economic investor in the region but could not translate its investment into influence. Merchant agreed, observing that Japan lacked the capacity to deliver, despite having some forward-leaning senior officials.

¶5. (C/REL AUS) LTC Desmond Walton, Asian and Pacific Security Affairs, Office of the Secretary of Defense, briefed on the Pacific Command's military engagement in Southeast Asia, particularly with Vietnam, Malaysia, Indonesia and the Philippines, as well as with Burma in the aftermath of

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Cyclone Nargis.

TRILATERAL STRATEGIC DIALOGUE

¶6. (C/REL AUS) Ritchie expressed satisfaction with the strong political commitment by all three partners to the Trilateral Strategic Dialogue (TSD). Despite achieving a good dialogue with Japan at the ministerial and senior officials' level, however, Australia shared the frustration of the United States over Japan's limited practical cooperation and concrete actions. As Australia deepened its military engagement with China, it would need to reassure Japan, he added. Pacific Division Richard Rowe commented the TSD Pacific Working Group had been particularly useful in helping coordinate aid to the Pacific Island states.

PACIFIC ISLANDS

¶7. (C/REL AUS) David Ritchie emphasized that while some Pacific Islands are doing better than others, as a whole the region is suffering from poor economic conditions. He briefed the group on Australia's Pacific Partnership scheme, through which Australia will help Pacific Island Countries achieve their Millennium Development Goals and, if they do, reward them, as well as Australia's new pilot program on labor mobility. Richard Rowe expressed appreciation for the United States' support for the PIF process on Fiji. The Forum Ministerial Contact Group will travel to Fiji in late November. The Group will report to a special meeting of the PIF Ministers and may recommend suspending Fiji from the Forum, an idea which was informally discussed on the margins of the Niue PIF. Rowe also expressed appreciation for the APCSS conference in Tonga and encouraged DOD to have APCSS do more such events in the future. Walton indicated OSD would pass the feedback to APCSS, urging it to continue work on Pacific Island countries as much as possible.

BILATERAL DEFENSE COOPERATION

DEFENCE WHITE PAPER

¶8. (S/REL AUS) Deputy Secretary Merchant provided background and status of the Defence White Paper commissioned by Prime Minister Rudd to assess Australia's force structure

requirements for the next two decades. The decision to update the White Paper had been driven, not just by the change of government, but importantly by the emergence of militant Islamism, the rise of China and the new threat of cyber warfare. In developing options, the paper's authors were guided by the need to plan for the Australian Defence Force's (ADF) engagement in a conventional conflict in the region, including the defense of Australia's border; the need to develop higher-end warfighting capability, including maintaining regional air superiority; and maintaining the capability to work with defense partners outside Australia's neighborhood, such as in coalition operations or a China-Taiwan conflict.

¶9. (S/REL AUS) Merchant clarified the Defence White Paper would posit a central construct, with a series of add-on options, based on the GOA's commitment to maintain annual three percent real growth in the defense budget to 2018. Major issues concerned the shape and size of the future air

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capability; the shape and size of submarine capability to 2025; the size of the surface fleet, including the decision on acquiring a fourth air warfare destroyer (AWD); development of a mechanized capability for land forces; and development of capabilities to respond to cyber warfare. All options needed to include both defensive and offensive capabilities. The GOA had concluded it would buy the Joint Strike Fighter (JSF); it was now just a question of the number of squadrons. Likewise, the GOA planned to acquire additional Collins class or new design, conventionally-powered submarines. Issues related to duration, size, numbers (between six and 12) and crew. Missile defense (MD) was among the suite of options considered in the

context of the AWD. Merchant said the Defence White Paper with fleshed out options would be ready to present to the Government in December. Australia's vision was to be the strongest military power south of China and east of India.

ENHANCED DEFENSE COOPERATION

¶10. (S/REL AUS) OSD Australia Director David Michaels briefed on the agreement reached between President Bush and Prime Minister Howard in September 2007, and endorsed at the February 2008 U.S.-Australia Ministerial (AUSMIN) consultations regarding Enhanced Defense Cooperation (EDC), including strengthening the Joint Combined Training Capability; prepositioning equipment for humanitarian assistance and disaster relief (HA/DR) operations in the region; and intensifying intelligence, surveillance and reconnaissance (ISR) access and cooperation. An update on EDC progress would be provided at the 2009 AUSMIN. Merchant commented that ISR was of particular significance to Australia, which needed a long-range, high-altitude unarmed system.

CONTINUING OBSTACLES TO CLASSIFIED INFORMATION-SHARING

¶11. (S/REL AUS) Assistant Secretary Peter West noted that, despite much progress in sharing classified information since President Bush's intelligence-sharing directive, problems remained. While sharing of TS material worked well, there were obstacles to sharing Secret operational-level intelligence, which affected Australian operations in Iraq and Afghanistan. A/S Kimmitt expressed concern that the problems had not yet been fixed, and undertook to raise the issue in Washington.

DEFENSE TRADE COOPERATION TREATY

¶12. (C/REL AUS) A/S Kimmitt explained that Congress had adjourned without approving the Defense Trade Cooperation Treaty (DTCT). He expressed optimism that the next session

of Congress under a new Administration would act favorably on the measure. Observing that the DTCT had been initiated to fix delays in the PM Bureau's processing system, he described measures taken within the Bureau to drastically shorten processing times, which would mitigate, to a large degree, the shortcomings which necessitated the Treaty.

113. (U) Assistant Secretary Kimmitt has cleared this message.

MCCALLUM